UNITED
NATIONS

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Economic and Social Council

Distr.
LIMITED

E/ICEF/1990/AB/L.3
21 March 1990

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
1990 session

FOR ACTION

# UNITED NATIONS CHILDREN'S FUND

## REVISED BUDGET ESTIMATES FOR THE WORLD SUMMIT FOR CHILDREN AND UNICEF SUMMIT-RELATED MOBILIZATION ACTIVITIES

## RECOMMENDATION FOR THE ESTABLISHMENT OF A RESERVE FUND FOR FIELD OFFICE ACCOMMODATION AND STAFF HOUSING

## PROPOSED AMENDMENT TO UNICEF FINANCIAL REGULATION 4.10 ON REVALUATION POLICY

## MOCK-UP OF THE REVISED FORMAT OF CERTAIN TABLES AND INCLUSION OF NEW ANNEXES IN FUTURE UNICEF BUDGET DOCUMENTS

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered four documents presented by the Executive Director of UNICEF: (a) the revised budget estimates for the World Summit for Children and summit-related mobilization activities (E/ICEF/1990/AB/L.11); (b) the recommendation for the establishment of a reserve fund for field office accommodation and staff housing (E/ICEF/1990/AB/L.8); (c) the proposed amendment to UNICEF financial regulation 4.10 on revaluation policy (E/ICEF/1990/AB/L.13); and (d) the mock-up of the revised format of certain tables and inclusion of new annexes in future UNICEF budget documents (E/ICEF/1990/AB/L.1). During its consideration of these documents, the Committee requested and received additional information from the UNICEF secretariat.



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A. Revised budget estimates for the World Summit for Children and UNICEF Summit-related mobilization activities (E/ICEF/1990/AB/L.11)

2. In December 1989, ACABQ had considered budget estimates for the World Summit for Children and Summit-related mobilization activities (E/ICEF/1989/AB/L.15) presented by the Executive Director. In paragraph 8 of its report (E/ICEF/1989/AB/L.16) ACABQ had pointed out that:

> "under normal circumstances before a budget is prepared for the holding of a conference and presented to the Committee for its review, the appropriate legislative body takes a policy decision on the Conference and outlines the structure of the related preparatory phase. In this case the budget has been prepared and presented to the Advisory Committee before the matter has been considered by the Executive Board."

3. In paragraph 9 of the same document, ACABQ had recommended that:

> "if the Executive Board approves the proposal concerning the holding of the summit and its related mobilization activities, and authorizes the Executive Director to use UNICEF facilities to this end, the Board should then set a ceiling for expenditure. On that basis, the Executive Director should reformulate the budget document for consideration by the Advisory Committee to indicate (a) the activities and the costs related to the mobilization aspect of the summit (which precedes and continues during and after the summit) and (b) the actual cost of the summit itself, including preparatory and conference-servicing costs."

4. At its meeting on 22 December 1989, the Executive Board adopted decision 1989/31 (E/ICEF/1989/17) by which it agreed, inter alia, that UNICEF should provide secretariat support for the preparation of the Summit meeting; requested the Executive Director to revise the draft budgets for the Summit and related mobilization activities for further review by ACABQ; and set maximum ceilings of $1.5 million for the Summit and $2.0 million for the mobilization activities. The Executive Board also decided that, pending approval of the budget, the Executive Director could enter into necessary committal expenditure from general resources up to an amount of $700,000 for the Summit and $650,000 for mobilization activities.

5. In document E/ICEF/1990/AB/L.11, the Executive Director has submitted revised budget estimates taking into account that decision of the Executive Board. In paragraphs 9 to 18 and table 1 of the document, the Executive Director discusses the secretariat and operating costs for the Summit. As indicated in paragraph 14, "the revised estimates comply with the maximum ceiling of expenditures of $1.5 million which was established by the Executive Board". The Advisory Committee recalls that the original budget estimate proposed by the Executive Director amounted to $1,912,376 (E/ICEF/1989/AB/L.15).

6. The supplemental staff support and operating costs of the Summit-related mobilization activities are discussed in paragraphs 19 to 25 and table 2 of document E/ICEF/1990/AB/L.11. As indicated in paragraph 21, "the revised estimates

comply with the maximum ceiling of expenditures of $2.0 million which was established by the Executive Board". ACABQ recalls that the original budget estimate proposed by the Executive Director amounted to $2,944,615 (E/ICEF/1989/AB/L.15).

7. An analysis of staff costs for both the Summit and for the mobilization activities is contained in annexes I, II and IV to document E/ICEF/1990/AB/L.11.

8. ACABQ recalls that, at the time of its consideration of the original budget estimates (E/ICEF/1989/AB/L.15), it had raised a number of concerns which, in its view, "made it difficult for the Committee to examine the budget". ACABQ points out that these concerns have not been adequately addressed by UNICEF in the present report and, as a result, the revised budget is no more transparent than the original submission. For example, the Committee has not been able to relate the size of the proposed secretariat to the proposed activities and has not been able to determine the relationship between these activities and the costs involved. In addition, the Committee points out that the functions of the staff have not been described clearly and that there appears to be some overlapping. ACABQ is also not convinced of the explanations regarding the need for consultants. ACABQ was informed that the requirement for consultants is mainly to hire short-term Professional staff to assist in arrangements, information and communication and publicity mobilization work. ACABQ notes that such staff needs could also be accommodated under the estimates for secretariat staff and overtime; for this reason, ACABQ believes that economies should be possible.

9. The question of the funding of the Summit and the related mobilization activities is discussed in paragraphs 29 to 32 of document E/ICEF/1990/AB/L.11. In paragraph 31, the Executive Director recommends that the two receivable accounts approved by the Board for the preparation and organization of the Summit meeting and a special account for the mobilization activities should continue to be funded from general resources up to the limits of the approved budget until donors contribute to the special accounts. ACABQ points out that, even without a clear mechanism to require voluntary contributions as a prerequisite for expenditures, the Executive Director must ensure that the regular UNICEF budget will not finance a major portion of the activities of the Summit and the mobilization activities.

10. ACABQ maintains the view that priority must be given to meeting the costs of the Summit from voluntary contributions and that any funds committed for the mobilization campaign should be only on the basis of assured income.

11. Section VII of the document contains draft resolutions relating to the budget estimates for the Summit meeting and for the related mobilization activities. ACABQ recommends that paragraph 2 of each of these resolutions be redrafted to conform with resolutions adopted by the Executive Board with respect to UNICEF budget estimates, i.e., the Executive Director should be given the authority to transfer, if necessary, between categories 1 and 2 an amount not exceeding 5 per cent from these same categories without further authorization of the Executive Board.

B. Recommendation for the establishment of a reserve fund for field office accommodation and staff housing (E/ICEF/1990/AB/L.8)

12. In order to provide suitable office accommodation and housing for international field staff at a number of locations where there is a serious accommodation problem, the Executive Director, in paragraph 8 of document E/ICEF/1990/AB/L.8, recommends that a reserve fund for this purpose be established in a total maximum amount of $25 million. Of this amount, $18.8 million, or 75 per cent, would be earmarked for field office accommodations relating primarily to UNICEF participation in common premises with other United Nations organizations. The remaining $6.2 million, or 25 per cent, would be earmarked for housing for international staff. The accounting procedures relative to this recommendation are contained in paragraphs 9 to 14 of the report. As indicated in paragraph 13 of the report, the funds necessary for the initial establishment of the fund will be provided out of savings from the 1988-1989 administrative budget, with future replenishments for office accommodation being charged to the administrative budget of the field office concerned. With regard to housing for international staff, ACABQ understands that the costs involved would be recovered over a period of time through rental payments paid by staff.

13. ACABQ understands that, with regard to the field office accommodations, the projects to be financed would be noted in the budget and would be subject to review by ACABQ and the Executive Board. ACABQ also understands that, once it has been approved, a construction project may be completed over the course of several bienniums, since the initial approval in the context of the budget constitutes the authorization to keep drawing from the reserve fund until construction is completed. On this basis, ACABQ has no objection to this recommendation.

C. Proposed amendment to UNICEF financial regulation 4.10 on revaluation policy (E/ICEF/1990/AB/L.13)

Mock-up of the revised format of certain tables and inclusion of new annexes in future UNICEF budget documents (E/ICEF/1990/AB/L.1)

14. The Advisory Committee has no comments regarding these documents.

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E/ICEF/1990/AB/L.4
5 March 1990

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
1990 session

FOR INFORMATION

# GREETING CARD OPERATION AND RELATED ACTIVITIES

## Provisional report of the 1989 season

(covering the period 1 May 1989-30 April 1990)

SUMMARY

This document presents the provisional results for the 1989 season (1 May 1989-30 April 1989) of the UNICEF Greeting Card Operation (GCO) and related activities.

Table 1 compares 1988 actual results with the 1989 budget and provisional results.

Sales of greeting cards for the 1989 season are projected at 145 million units (an increase of 6 million cards over 1988), with gross proceeds forecast at $108 million ($10 million higher than 1988).

The net operating profit for GCO products is projected at $50 million. Total consolidated net operating profit is forecasted at $57 million, including $7 million from private sector fund-raising.

The total GCO contribution to UNICEF general resources is estimated at $57 million. At the end of the campaign, however, a special allowance for possible future exchange rate losses on accounts receivable might be required as in 1988, when $5.7 million was set aside for this purpose.

## Introduction

1. This provisional performance report of the Greeting Card Operation (GCO) and related activities during the 1989 season is based on sales estimates received from each of the six market regions and on expenditure estimates for the 12-month period ending 30 April 1990.

2. As in the GCO financial report, comparisons are made with the previous year's results (1988). In addition, table 2 shows comparison with the 1989 approved work plan and budget.

## Sales

3. Sales reports for the six market regions indicate that card volume will be a record 145 million units, the highest so far in GCO history and exceeding the 1988 actual results by 6 million cards. This increase is mainly due to a strong showing in practically all regions, especially Europe. Sales by region for 1989 (based on estimates as of 15 January 1990) compared with 1988 actual sales are shown below:

Table 1. Sales by region, 1989

(In millions of cards and United States dollars)

| Region | 1988 | | 1989 | | Variance | |
|---|---|---|---|---|---|---|
| | Cards sold | Amount | Cards sold | Amount | Cards sold | Amount |
| I. North America | 17.5 | 12.8 | 18.0 | 15.0 | 0.5 | 2.2 |
| II. Latin America | 9.0 | 4.5 | 9.7 | 4.9 | 0.7 | 0.4 |
| III. Asia | 5.2 | 4.0 | 5.8 | 4.5 | 0.6 | 0.5 |
| IV. Pacific, India, Pakistan | 9.5 | 4.3 | 10.1 | 4.6 | 0.6 | 0.3 |
| V. Europe | 93.0 | 67.7 | 96.6 | 73.3 | 3.6 | 5.6 |
| VI. Africa, Eastern Mediterranean | 4.7 | 5.6 | 4.8 | 5.7 | 0.1 | 0.1 |
| All regions | 138.9 | 98.9 | 145.0 | 108.0 | 6.1 | 9.1 |

## Gross proceeds

4. Gross proceeds for the 1989 campaign are expected to reach $108 million (9.1 million higher than 1988). This increase is mainly due to higher volumes of sales and price increments in major markets which partly offset the negative impact on revenues caused by the strengthening of the United States dollar vis-à-vis major currencies.

## Expenditure

### Cost of goods delivered, freight, duties/taxes and promotion materials

5. This line of expenditure is estimated to increase by $2.4 million compared with 1988. As a percentage of sales, production costs, freight, duties and taxes and promotion material costs are estimated at 20 per cent, or 0.2 per cent higher than 1988 costs.

### Operating expenses

6. Operating costs for 1989 are forecast at $14 million, an increase of $1.7 million compared with 1988. As a percentage of sales, 1989 operating costs are 13 per cent compared with 12.4 per cent in 1988.

## Other income

7. Other income for 1989, generated mainly from royalties on licensed products and revenues from National Committee products, is estimated at $5 million, as compared with $5.5 million in 1988. This line item also includes prior year adjustments and write-offs, which will only be ascertained at the end of the campaign, but which have been considered in the estimate.

## Net operating profit - GCO products

8. The net operating profit on GCO products for 1989 is projected at $50 million, $2.5 million higher than 1988 and $6.8 million above the 1989 budget.

## Net operating profit - fund-raising

9. The estimated income from direct mail and commercial media fund-raising is $7 million. This income originates mainly from joint National Committee/GCO direct mail campaigns. Fund-raising income is shown separately from GCO products-related income as requested by the UNICEF Executive Board.

## Net operating profit - consolidated

10. The consolidated GCO net operating profit, including income from fund-raising for 1989, is $57 million, $5.6 million higher than 1988 actual results and $9.1 million above the 1989 budget.

## Net profit - consolidated

11. The consolidated GCO net profit remains at $57 million. The 1989 provisional report does not include an allowance for exchange rates as it is assumed that losses incurred will be offset by the allowance established at the beginning of the 1989 fiscal year.

Table 2. Income statement for 1988, budget for 1989 and provisional report for 1989

| | 1988 Actual | | 1989 Budget | | 1989 Provisional | | Variance | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | 1989 Provisional vs. 1988 actual | 1989 Provisional vs. 1989 budget |
| Number of cards sold (millions) | 139 | | 135 | | 145 | | 6 | 10 |
| | Millions of US dollars | Percentage of gross proceeds | Millions of US dollars | Percentage of gross proceeds | Millions of US dollars | Percentage of gross proceeds | Millions of US dollars | Millions of US dollars |
| Gross proceeds | 98.9 | 100.0 | 95.3 | 100.0 | 108 | 100 | 9.1 | 12.7 |
| Less: Commissions and direct expenses at field offices | 25.1 | 25.4 | 23.8 | 25.0 | 27 | 25 | 1.9 | 3.2 |
| Net sales | 73.8 | 74.6 | 71.5 | 75.0 | 81 | 75 | 7.2 | 9.5 |
| Less: Total cost of goods delivered | 19.6 | 19.8 | 18.8 | 19.7 | 22 | 20 | 2.4 | 3.2 |
| Less: Operating costs | 12.3 | 12.4 | 13.5 | 14.2 | 14 | 13 | 1.7 | 0.5 |
| Add: Other income – net | 5.5 | 5.6 | 4.0 | 4.2 | 5 | 5 | (0.5) | 1.0 |
| Net operating profit – GCO products | 47.5 | 48.0 | 43.2 | 45.3 | 50 | 47 | 2.5 | 6.8 |
| Add: Net operating profit – fund-raising | 4.9 | | 4.7 | | 7 | | 2.1 | 2.3 |
| Net operating profit – consolidated | 52.4 | | 47.9 | | 57 | | 4.6 | 9.1 |
| Less: Exchange rate adjustment | 9.2 | | – | | – | | (9.2) | 0.0 |
| Net profit – consolidated | 43.2 | | 47.9 | | 57 | | 13.8 | 9.1 |

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Economic and Social Council

Distr.
LIMITED

E/ICEF/1990/AB/L.5
22 February 1990

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
1990 session

FOR INFORMATION

# GREETING CARD AND RELATED OPERATIONS

## Financial report and accounts for the 1988 season for the year ended 30 April 1989

Summary

This document presents the results for the 1988 season (1 May 1988-30 April 1989) of UNICEF greeting card and related operations.

A total of 139 million cards was sold in 1988, representing an increase of 10.3 per cent over the previous year. Gross proceeds increased to $98.9 million, up by 15 per cent.

The net operating profit for the Greeting Card Operation (GCO) was $47.5 million, representing 48 per cent profitability in terms of gross proceeds. Net operating profit from GCO-supported private-sector fund-raising appeals was $4.9 million, producing a consolidated net operating profit of $52.4 million before exchange rate adjustments.

After adjustment for exchange rate losses of $3.5 million and the establishment of a special allowance of $5.7 million to compensate for anticipated exchange rate losses on accounts receivable, the GCO contribution to UNICEF general resources was $43.2 million (net profit - consolidated).

The $43.2 million GCO contribution to UNICEF general resources in 1988 represented a 13 per cent increase over 1987.

As requested by the Executive Board at its 1987 session, a country-by-country performance report for the 1988 season is contained in the annex to the present report.

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# FOREWORD

I am pleased to report that in 1988 the greeting card and related operations were able to achieve a record contribution of $43.2 million to UNICEF general resources and a record sales volume of 139 million cards. The general public, through the Greeting Card Operation (GCO), thus maintains its position as the third largest contributor to UNICEF general resources.

This success is due to the work of thousands of individuals around the world. Our thanks go to UNICEF National Committees and other co-operating groups whose staff and volunteers sold UNICEF cards and products; to the hundreds of artists, museums and art collectors whose works were made available, at no charge, for greeting card designs; and to the hundreds of thousands of individuals who purchased UNICEF cards and related products and who donated their time and money to the cause of UNICEF throughout the year.

(Signed) James P. GRANT
Executive Director

# I. FINANCIAL REPORT FOR THE 1988 SEASON

## A. An overview of the results of the 1988 season

1. In 1988, the greeting card and related operations contributed $43.2 million to UNICEF general resources. The Greeting Card Operation (GCO) achieved a consolidated net operating profit of $52.4 million, which was the result of a net operating profit of $47.5 million on products and a net operating profit of $4.9 million from GCO-supported fund-raising appeals. The 1988 season was the fourth consecutive season in which GCO exceeded both the previous year's results and the budget. This is the first time that GCO is recording income from fund-raising appeals in its reports to the Executive Board.

2. The net operating profit of $47.5 million (48.0 per cent profitability) on products was reached through increased sales and strict controls on expenditure. Gross proceeds were $98.9 million. Net operating profit is a major indicator of GCO product sales performance and represents GCO profitability without the influence of adjustments owing to the effects of exchange rate fluctuations. Reaching 50 per cent profitability by 1992 is one of the GCO corporate goals.

3. The net operating profit from private-sector fund-raising activities increased from $1.3 million to $4.9 million as National Committees and field offices introduced new direct mail campaigns supported by GCO.

| | 1988 actual | Change over 1987 | 1987 actual | 1988 budget |
|---|---|---|---|---|
| Card sales (in millions) | 139 | 13 | 126 | 129 |
| | (Millions of United States dollars) | | | |
| Gross proceeds | 98.9 | 12.9 | 86.0 | 80.2 |
| Commissions | 25.1 | 3.2 | 21.9 | 21.3 |
| Total costs | 31.9 | 1.3 | 30.5 | 29.0 |
| Other income – net | 5.5 | -0.6 | 6.2 | 2.3 |
| Net operating profit – GCO products | 47.5 | 7.8 | 39.7 | 32.2 |
| Net operating profit – fundraising | 4.9 | 3.6 | 1.3 | 5.1 |
| Net operating profit – consolidated | 52.4 | 11.4 | 41.0 | 37.3 |
| Exchange rate adjustment | -9.2 | 6.6 | -2.7 | 0.0 |
| Net profit – consolidated | 43.2 | 4.8 | 38.4 | 37.3 |

4. Highlights of 1988 results, compared with 1987 actual figures and 1988 budget figures, are shown above. More detailed explanations are provided in notes to the financial statements (see paras. 20-49 below).

Sales and gross proceeds

5. Card sales were 139 million, showing an increase of 13 million (10.3 per cent) over 1987 and significantly surpassing the 1988 budget level. Gross proceeds reached $98.9 million and were $12.9 million (15.1 per cent) above 1987 actual and $18.7 million (23.4 per cent) above the 1988 budget.

Commissions

6. Commissions amounted to $25.1 million, which included funds retained by National Committees and other sales partners, expenses incurred at field offices and commissions paid to consignees.

7. Commissions represented 25.4 per cent of gross proceeds, the same percentage as in 1987 and lower than the budget level of 26.5 per cent.

Total costs

8. Total costs amounted to $31.9 million (an increase of $1.3 million) and consisted of the cost of goods delivered (including freight, duties and taxes) and general operating costs.

9. In spite of an increase in the sales volume (15.1 per cent), the cost of goods delivered rose by only $832,000 to $19.5 million (4.4 per cent). This was made possible by implementing stricter cost controls and by reducing the ratio of cards delivered to cards sold.

10. Operating costs increased by $501,000 to $12.3 million owing mainly to a non-recurrent charge caused by a move to new warehouse premises at the New York area office.

Other income - net

11. Other income totalled $5.5 million and included royalty income from licensed products, donations generated by GCO brochures, income from National Committee products, bank interest, a write-off for uncollected receivables and a gain in prior year adjustments (see paras. 31 and 32 below).

12. Although new activities yielded an additional $1.2 million in 1988, the total of $5.5 million was $613,000 lower than in 1987. This reflected a change in accounting policy implemented in 1987, when two years' income at the Geneva office was combined to achieve consistency in reporting between the two area offices.

Net operating profit - GCO products

13. The net operating profit from product sales was $47.5 million, $7.8 million (19.5 per cent) higher than in 1987 and $15.3 million (47.5 per cent) above the 1988 budget level.

14. This represented 48.0 per cent of gross proceeds, closely approaching the Executive Board-recommended level of 50 per cent.

Net operating profit - fund-raising

15. The net operating profit from GCO-supported National Committee and field office fund-raising appeals increased to $4.9 million from $1.3 million in 1987 owing to increased use of GCO-produced campaign materials.

Net operating profit - consolidated

16. When consolidated, the net operating profit of the greeting card and related operations - the performance "bottom line" before adjustment for exchange rate fluctuations - amounted to $52.4 million, an increase of $11.4 million (27.7 per cent).

Exchange rate adjustment

17. GCO incurred losses of $3.5 million from exchange rate fluctuations in 1988 on the revaluation of assets and liabilities. In addition, a special allowance of 10 per cent ($5.7 million) was established to cover anticipated losses in non-United States dollar accounts receivable as at 30 April 1989.

Net profit - consolidated

18. The consolidated net profit from GCO product sales and GCO-supported fund-raising activities after adjustment for exchange rate fluctuations was $43.2 million, an increase of $4.8 million (12.5 per cent) over 1987.

## B. Financial statements for the year ended 30 April 1989

19. The three financial statements that follow are supported by the notes to the financial statements (paras. 20-49 below), which are considered an integral part of the financial report.

## STATEMENT I

### Comparative statement of income and expenditure for the season ended 30 April 1989

(In thousands of United States dollars)

| | Notes | 1988 season 1 May 1988–30 April 1989 | | 1987 season 1 May 1987–30 April 1988 | | Variance Increase/(decrease) | |
|---|---|---|---|---|---|---|---|
| **Number of cards sold (millions)** | | 139 | | 126 | | 13 | |
| | | | % | | % | | % |
| Gross proceeds | 1 | 98,940 | 100 | 85,968 | 100 | 12,972 | 15.1 |
| Less: Commissions and direct expenses at field offices | 2 | 25,116 | 25.4 | 21,851 | 25.4 | 3,265 | 14.9 |
| Net sales | | 73,824 | 74.6 | 64,117 | 74.6 | 9,707 | 15.1 |
| Less: Total cost of goods delivered | 3 | 19,577 | 19.8 | 18,745 | 21.8 | 832 | 4.4 |
| | | 54,247 | 54.8 | 45,372 | 52.8 | 8,875 | 19.6 |
| Less: Operating costs | 4 | 12,305 | 12.4 | 11,804 | 13.7 | 501 | 4.2 |
| | | 41,942 | 42.4 | 33,568 | 39.0 | 8,374 | 24.9 |
| Add: Other income - net | 5 | 5,541 | 5.6 | 6,154 | 7.2 | (613) | (10.0) |
| **Net operating profit - GCO products** | 6 | **47,483** | **48.0** | **39,722** | **46.2** | **7,761** | **19.5** |
| Add: | | | | | | | |
| **Net operating profit - fund-raising** | 7 | **4,907** | | **1,307** | | **3,600** | **275.4** |
| Net operating profit - consolidated | 8 | 52,390 | | 41,029 | | 11,361 | 27.7 |
| Less: Exchange rate adjustment | 9 | 9,228 | | 2,666 | | 6,562 | 246.1 |
| Net profit - consolidated | 10,18 | 43,162 | | 38,363 | | 4,799 | 12.5 |

*Kano Yamamoto*
*Comptroller*

*James P. Grant*
*Executive Director*

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## STATEMENT II

### Comparative statement of assets, liabilities and fund balance at 30 April 1989

(In United States dollars)

| | Notes | 1988 season | | 1987 season | | Increase/(decrease) | |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash on hand | 11 | | 1,587,819.23 | | 1,962,703.28 | | (374,884.05) |
| Accounts receivable | 12 | 65,678,865.45 | | 46,896,718.37 | | 18,782,147.08 | |
| Less: Allowance for exchange rate fluctuation | | 5,722,780.40 | | 4,184,034.94 | | 1,538,745.46 | |
| Net accounts receivable | 13 | | 59,956,085.05 | | 42,712,683.43 | | 17,243,401.62 |
| Inventory | 14 | | 11,438,080.64 | | 9,768,309.02 | | 1,669,771.62 |
| Prepaid expenses | 15 | | 733,637.93 | | 300,038.35 | | 433,599.58 |
| Capital assets | 16 | | 86,350.96 | | 160,073.08 | | (73,722.12) |
| | | | 73,801,973.81 | | 54,903,807.16 | | 18,898,166.65 |
| **LIABILITIES AND FUND BALANCE** | | | | | | | |
| Accounts payable | 17 | 4,052,563.77 | | 3,755,290.21 | | 297,273.56 | |
| UNICEF inter-office account | | 26,586,629.21 | | 14,092,047.14 | | 12,494,582.07 | |
| | | | 30,639,192.98 | | 17,847,337.35 | | 12,791,855.63 |
| **FUND BALANCE** | 18 | | 43,162,780.83 | | 37,056,469.81 | | 6,106,311.02 |

*Kano Yamamoto*
*Comptroller*

*James P. Grant*
*Executive Director*

# STATEMENT III

Comparative statement of the actual results for the season ended 30 April 1989
with the approved work plan and budget
(In thousands of United States dollars)

| | 1988 season | | | | | | Variance | |
|---|---|---|---|---|---|---|---|---|
| | Actual | | | Budget | | | | |
| **Number of cards sold (millions)** | 139.0 | | | 129.0 | | | 10.0 | 7.8 |
| | | | % | | | % | | |
| Gross proceeds | | 98,940 | 100 | | 80,200 | 100 | 18,740 | 23.4 |
| Less: Commissions and direct expenses at field offices | | 25,116 | 25.4 | | 21,300 | 26.5 | 3,816 | 17.9 |
| **Net sales** | | 73,824 | 74.6 | | 58,900 | 73.5 | 14,924 | 25.3 |
| Less: Cost of goods delivered | 13,496 | | 13.6 | 11,600 | | 14.5 | 1,896 | 16.3 |
| Freight, duties and taxes | 2,765 | | 2.8 | 2,000 | | 2.5 | 765 | 38.3 |
| Promotion materials | 3,316 | | 3.4 | 2,700 | | 3.4 | 616 | 22.8 |
| Total cost of goods delivered | | 19,577 | 19.8 | | 16,300 | 20.4 | 3,277 | 20.1 |
| Less: Marketing, sales and art | 3,535 | | 3.6 | 3,300 | | 4.1 | 235 | 7.1 |
| Operations | 4,338 | | 4.4 | 4,400 | | 5.5 | (62) | (1.4) |
| Administration | 4,432 | | 4.5 | 5,000 | | 6.2 | (568) | (11.4) |
| Total operating costs | | 12,305 | 12.4 | | 12,700 | 15.8 | (395) | (3.1) |
| Add: Other income – net | | 5,541 | 5.6 | | 2,300 | 2.9 | 3,241 | 141 |
| **Net operating profit – GCO products** | | 47,483 | 48.0 | | 32,200 | 40.2 | 15,283 | 47.5 |
| Add: | | | | | | | | |
| Net operating profit – fund-raising | | 4,907 | | | 5,100 | | (193) | (3.8) |
| Net operating profit – consolidated | | 52,390 | | | 37,300 | | 15,090 | 40.5 |
| Less: Exchange rate adjustment | | 9,228 | | | 0 | | 9,228 | 100 |
| Net profit – consolidated | | 43,162 | | | 37,300 | | 5,862 | 15.7 |

*Kano Yamamoto*
*Comptroller*

*James P. Grant*
*Executive Director*

## C. Notes to the financial statements

### Statement I (income and expenditure)

#### Note 1. Gross proceeds

20. This shows the total sales value of all GCO products sold during the campaign year. Sales by major product category compared with 1987 are shown below:

| | 1988 | 1987 | Variance | |
|---|---|---|---|---|
| | (millions of United States dollars) | | | |
| Cards | 79.4 | 69.2 | 10.2 | 15% |
| Calendars | 5.3 | 4.8 | 0.5 | 10% |
| Stationery | 2.6 | 2.0 | 0.6 | 30% |
| Educational material | 5.0 | 3.8 | 1.2 | 32% |
| Shopping bags | 2.0 | 2.4 | -0.4 | -17% |
| Other products | 4.6 | 3.8 | 0.8 | 21% |
| Total | 98.9 | 86.0 | 12.9 | 15% |

21. Two thirds of the increase in gross proceeds of $12.9 million (15 per cent) over 1987 was due to increased sales volume and one third to price increases, changes in product mix and exchange rate fluctuations.

22. Gross proceeds by sales channel for 1988 compared with 1987 were:

| | 1988 | 1987 | Variance | |
|---|---|---|---|---|
| | (millions of United States dollars) | | | |
| National Committees and other sales partners | 81.5 | 70.9 | 10.6 | 15% |
| Field offices | 17.4 | 15.1 | 2.3 | 15% |
| Total | 98.9 | 86.0 | 12.9 | 15% |

23. A detailed analysis of sales and performance by country is included in the annex to the present document.

Note 2. Commissions and field office expenses

24. This item consists of commissions paid to National Committees and other sales partners, and total direct selling expenses at GCO sales offices. Commissions and selling expenses amounted to $25.1 million (25.4 per cent of gross proceeds). A breakdown is given below:

| | 1988 | 1987 | Variance | |
|---|---|---|---|---|
| | (millions of United States dollars) | | | |
| National Committees and other sales partners | 20.9 | 18.2 | 2.7 | 15% |
| Field offices | 4.2 | 3.7 | .5 | 14% |
| Total | 25.1 | 21.9 | 3.2 | 15% |

25. Commissions retained by National Committees and other sales partners went from 25.7 per cent of gross proceeds in 1987 to 25.6 per cent in 1988. Commissions and expenses at field offices decreased from 24.5 to 24.1 per cent.

26. It is the goal of GCO to bring retentions by National Committees and direct selling expenses at field offices to 25 per cent of gross proceeds.

Note 3. Total cost of goods delivered

27. The total cost of goods delivered, including promotional materials, freight, duties and taxes, was $19.6 million. This increased by $832,000, or 4.4 per cent, over 1987 owing to considerably higher sales volume. Details are presented below:

| | 1988 | 1987 | Variance | |
|---|---|---|---|---|
| | (thousands of United States dollars) | | | |
| Cost of goods delivered | 13,496 | 12,999 | 497 | 4% |
| Freight, duties, taxes | 2,765 | 2,466 | 299 | 12% |
| Promotional materials | 3,316 | 3,280 | 36 | 1% |
| Total | 19,577 | 18,745 | 832 | 4% |

28. In terms of gross proceeds, the total cost of goods delivered decreased to 19.8 per cent, compared with 21.8 per cent in 1987.

29. The reduction in the total cost of goods delivered, as a proportion of gross proceeds, can be attributed to the following:

(a) An improved ratio of delivery to sales owing to more sophisticated sales forecasting (see annex, table 2, PI 6);

(b) The decentralization of production to the Brazil and Singapore production centres, which provided both lower production costs and reduced shipping expenses. As production in these centres increases, GCO anticipates additional savings.

Note 4. Total operating costs

30. These are the costs incurred by GCO in running its product-related operations. In 1988, these costs amounted to $12.3 million, an increase of $501,000 (4.2 per cent) compared with 1987. In terms of gross proceeds, GCO operating costs decreased from 13.7 per cent in 1987 to 12.4 per cent in 1988.

| | 1988 | 1987 | Variance | |
|---|---|---|---|---|
| | (thousands of United States dollars) | | | |
| Marketing, sales, art search | 3,535 | 3,435 | 100 | 3% |
| Operations | 4,338 | 4,044 | 294 | 7% |
| Administration | 4,432 | 4,325 | 107 | 2% |
| Total | 12,305 | 11,804 | 501 | 4% |

Note 5. Other income - net

31. There was a decrease of $613,000 in 1988, which was the result of changes in accounting policy in 1987 (see para. 12 above).

32. The following are included in this category:

(a) Income from licensed products, which includes royalties from collectibles (stamp collections, plates, etc.), income from Nippon Telegraph and Telephone Corporation's Pressed Flower Telegram programme in Japan and profits from the sale of National Committee products;

(b) Donations, which represent contributions generated through the GCO-brochure/order form;

(c) Miscellaneous income, which comprises bank interest, discounts on purchases, the sale of obsolete equipment, etc.;

(d) Write-off of prior years' receivables. GCO policy is to write off receivables after three years, when they are deemed not collectable. Nevertheless, GCO will continue its efforts to collect on these debts;

(e) Prior year adjustments. These are sales-related adjustments reported by National Committees and other sales outlets for prior years;

(f) Interregional sales development programme. This programme was concluded in 1987 and was reported on extensively at the 1989 Executive Board session (see E/ICEF/1989/AB/L.11).

(g) Fundraising expenses. See paragraphs 35 and 36 below.

| | 1988 | 1987 | Variance | |
|---|---|---|---|---|
| | (thousands of United States dollars) | | | |
| Licensed products | 2,962 | 3,244 | (282) | -9% |
| Donations | 1,465 | 2,324 | (859) | -37% |
| Miscellaneous income | 808 | 597 | 211 | 35% |
| Write-off of accounts receivable | (96) | (90) | (6) | 7% |
| Prior year adjustments | 402 | 1,708 | (1,306) | -76% |
| Interregional sales development programme | - | (1,388) | 1,388 | -100% |
| Fund-raising expenses | - | (241) | 241 | -100% |
| Total | 5,541 | 6,154 | (613) | -10% |

Note 6. Net operating profit - GCO products

33. For the 1988 campaign, the net operating profit - GCO products came to $47.5 million (48.0 per cent), an increase of $7.8 million (19.5 per cent) over 1987.

Note 7. Net operating profit - fund-raising

34. In 1987 and 1988, several National Committees and one field office conducted direct mail fund-raising appeals using GCO-generated concepts and materials.

35. In 1987, GCO fund-raising income was recorded in UNICEF accounts, while GCO fund-raising expenses were recorded in GCO accounts under "other income".

36. In accordance with generally accepted accounting principles to achieve reporting consistency, disclosure and a proper matching of revenue and expenses in order to report results of operations, a change in accounting policy for fund-raising was effected in 1988. The effect of the change is to record the

income from GCO-supported fund-raising appeals for general resources and related GCO fund-raising expenses in GCO accounts. Results of the operation for fund-raising are noted below.

37. After deducting National Committee costs, the fund-raising appeals produced proceeds of $6.3 million. An amount of $1.0 million was allocated by the United States Committee for UNICEF to supplementary funding, which is not reported in the fund-raising net operating profit, but reported as supplementary funding income in the UNICEF financial statements. After deducting GCO fund-raising expenses of $405,681, net operating profit was $4.9 million. Details are as follows:

| | (United States dollars) |
|---|---|
| Belgium | 36,007 |
| Denmark | 26,153 |
| France | 2,786,398 |
| Germany, Federal Republic of | 1,213,708 |
| Hong Kong | 34,540 |
| Italy | 388,953 |
| Mexico | 10,454 |
| Netherlands | 554,436 |
| Sweden | 32,802 |
| United States | 1,254,834 a/ |
| Total | 6,338,285 |
| Less: Income recorded in UNICEF financial report | 1,025,558 a/ |
| GCO net proceeds - fund-raising | 5,312,727 |
| Less: GCO fund-raising expenses | 405,681 |
| Net operating profit - fund-raising | 4,907,046 a/ |

a/ Of the $1,254,834 raised in the United States, only $229,276 is included in GCO income for general resources. The balance of $1,025,558 was allocated by the United States Committee for UNICEF to supplementary funds and is shown in the UNICEF financial report.

Note 8. Net operating profit - consolidated

38. GCO product sales and fund-raising support netted $52.4 million in 1988. This is the first year in which product and fund-raising income has been reported by GCO.

Note 9. Exchange rate adjustment

39. The effect of exchange rate fluctuations on GCO income and accounts receivable can be substantial and is by nature beyond the control of GCO. In 1988, there were two components to this adjustment:

(a) A loss of $3.5 million on revaluation of assets and liabilities held in currencies other than the United States dollar;

(b) An allowance of $5.7 million to cover the anticipated effect of exchange rate losses on non-United States dollar accounts receivable as of 30 April 1989.

Note 10. Net profit - consolidated

40. The consolidated net profit on GCO products and fund-raising support in 1988 was $43.2 million, an increase of $4.8 million over 1987.

Statement II (assets, liabilities and fund balance)

Note 11. Cash on hand

41. The cash balance in 1988 ($1.6 million) was mainly the result of a $1.2 million balance in bank accounts in Japan. One of these accounts existed to collect royalties generated by Nippon Telegraph and Telephone Corporation's Pressed Flower Telegram programme. On 30 April 1989, an amount of $0.9 million was transferred to the Japan National Committee.

Note 12. Accounts receivable

42. This includes amounts due from National Committees and other sales partners for 1988 sales, as well as royalties and miscellaneous receivables. The 30 April 1989 gross accounts receivable were $65.7 million, compared with $46.9 million on 30 April 1988. The increase of $18.8 million is due to higher sales proceeds generated in the 1988/89 campaign. Agreements with National Committees currently provide for payment of these balances by 31 August. By 30 November 1989, the accounts receivable balance for the 1988 campaign had been reduced to $17.4 million.

Note 13. Net accounts receivable

43. These amounted to $60.0 million. Of the total accounts receivable of $65.7 million, $57.2 million were in non-United States dollar denominated accounts. A 10 per cent allowance for these accounts receivable was established as of 30 April 1989 to cover anticipated exchange rate losses.

Note 14. Inventory

44. Inventory (raw materials, products in process, finished products and products in transit) is stated at standard cost, estimated on the basis of the previous year's actual costs. GCO inventory on 30 April 1989 consisted of:

(a) Cards in inventory, at standard cost;

(b) Publicity and promotional materials, at cost, manufactured during the year for the 1989 campaign;

(c) Carry forward inventory from prior years valued at add-on cost.

| | 1988 | 1987 |
|---|---|---|
| | (thousands of United States dollars) | |
| Raw material | 3,050 | 2,997 |
| Products in process, finished products, products in transit and publicity/promotional materials | 8,388 | 6,771 |
| Total | 11,438 | 9,768 |

Note 15. Prepaid expenses

45. These included advance payments to suppliers ($310,000) for the production of non-card products (ceramic drinking mugs and Christmas ornaments), prepaid promotional materials and minor items such as travel advances to personnel.

Note 16. Capital assets

46. These are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Below is a summary of capital assets as at 30 April 1989.

| | 1988 | 1987 |
|---|---|---|
| | (thousands of United States dollars) | |
| Production machinery | 428 | 428 |
| Telephone | 88 | 88 |
| Subtotal | 516 | 516 |
| Accumulated depreciation | 430 | 356 |
| Total | 86 | 160 |

Note 17. Accounts payable

47. GCO owed a total of $4.1 million as at 30 April 1989. Of this, $2.4 million was payable to outside suppliers. Included in accounts payable were an accrual of $0.4 million for salaries and expenses and remittances of $1.3 million from sales partners that are applicable to the 1989 campaign.

Note 18. Funds balance

48. This represents GCO net worth, which consists of the value of assets minus the value of liabilities. Because GCO yearly earnings are transferred to UNICEF, the fund balance does not reflect the accumulated earnings of GCO, but usually is equal to current period earnings before transfer to UNICEF.

Statement III (actual results compared with 1988 work plan and budget)

49. GCO performance in 1988 was considerably above budget projections. The highlights are as follows:

(a) Card sales were over budget by 10 million units, or 8 per cent;

(b) Gross proceeds exceeded budget by $18.7 million, or 23 per cent;

(c) Commissions (including direct expenses at field offices) were over budget by $3.8 million, but represented a smaller proportion of gross proceeds (25.4 per cent) than projected;

(d) Total cost of goods delivered exceeded budget, but represented a lower proportion of gross proceeds (19.8 per cent);

(e) Total operating costs for the year were $12.3 million, or $395,000 (3.1 per cent) below budget;

(f) Net operating profit from GCO products was $47.5 million, $15.3 million (47.5 per cent) higher than budget and represented a higher profitability (48.0 per cent) than projected;

(g) Net operating income from fund-raising was below budget by 3.8 per cent reflecting the fact that $1.0 million of this income was allocated to supplementary funds and, therefore, is not recorded in GCO accounts (see para. 37 above);

(h) After exchange rate adjustment, GCO posted a net consolidated profit of $43.2 million, exceeding the budgeted level by $5.9 million, or 15.7 per cent.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

50. The accounts are maintained in accordance with the Financial Regulations and Rules of the United Nations Children's Fund and with the Financial Regulations and Rules of the United Nations Children's Fund, Special Supplement, Greeting Card Operation.

51. The accounting period of GCO is 1 May to 30 April. The accounts of GCO are consolidated into the UNICEF accounts as at 31 December. Consistent year-end cut-off procedures are in effect to incorporate GCO accounts into the UNICEF financial statements.

52. The accounting unit is the United States dollar. The equivalent in United States dollars of other currencies is established on the basis of the United Nations operational rates of exchange at the transaction date.

53. GCO gross proceeds are recorded in United States dollars at an average United Nations exchange rate in effect at the various delivery dates during the campaign for sales reported by National Committees and other sales outlets. (Actual cash collection is recorded in United States dollars at the United Nations rate in effect at the time remittances are received.)

54. Periodically, assets and liabilities in currencies other than United States dollars are valued for accounting purposes at the prevailing United Nations rates of exchange. Any variance in valuation caused by fluctuation of those rates is accounted for as income or loss and shown separately in the statement of income and expenditure under revaluation of assets and liabilities. An allowance of 10 per cent of non-United States dollar-denominated outstanding accounts receivable as at 30 April may be established to cover the fluctuation of exchange rates. The allowance is shown as a deduction from the accounts receivable on the statement of assets and liabilities.

55. The inventory of raw materials, work in process, finished goods for the next campaign and goods in transit are valued at standard cost. It is GCO policy to write off all finished unsold products from the current campaign year. Products that are carried forward to the following campaign are included in inventory at add-on cost. All publicity and promotional materials bought in the current campaign year but relating to future campaign years are shown at standard cost and included in inventory.

56. Capital assets (machinery and equipment) costing $100,000 or more are capitalized and depreciated over their estimated useful life.

57. GCO-supported National Committee fund-raising income for UNICEF general resources and related GCO fund-raising expenses are recorded in GCO accounts as a separate item.

58. For purposes of comparison, certain 1987 items have been reclassified to conform with the 1988 financial statement presentation, which has been modified to comply with changes in accounting policy.

Annex

COUNTRY-BY-COUNTRY PERFORMANCE REPORT FOR THE 1988 SEASON

1. The present report has been prepared in response to a request by the 1987 UNICEF Executive Board and includes two tables:

(a) Table 1 (below) shows gross proceeds for all products and the number of cards sold by sales region and by major selling country, for 1988 compared with 1987. It shows the ranking of each major market expressed as a percentage of global gross proceeds and also illustrates each country's performance on a per capita basis showing gross proceeds and cards sold per 1,000 population in 1988 compared with 1987;

(b) Table 2 (below) shows country-by-country performance for the period 1984-1988. In this table, the 1988 results by performance indicator have been compared with the results of 1987, 1986, 1985 and 1984.

2. In order to measure country-by-country performance, GCO has established eight indicators that have been discussed with the respective sales partners: National Committees for UNICEF, field offices and consignees. The indicators reflect the areas of joint responsibility of the greeting card sales partnership, including forecasting, ordering, selling, pricing and promotional costs, and lead up to the key indicator: "contribution to GCO", which, as a global average, should be 67 per cent in order for GCO to reach an overall profitability of 50 per cent.

3. The eight performance indicators (PI 1 to PI 8) are:

(a) PI 1. Card sales (in millions of cards);

(b) PI 2. Gross proceeds (in millions of United States dollars);

(c) PI 3. Other income (in millions of United States dollars) from special programmes such as licensed products or products produced by sales partners;

(d) PI 4. Commission/retention or direct expense at field office (as a percentage of gross proceeds);

(e) PI 5. Pricing is indicated as a percentage of a base price for an "A-format" (standard-size) card established annually by GCO. An asterisk (*) denotes countries where the price level has reached or exceeded the GCO base price;

(f) PI 6. Distribution over sales (as a percentage over base) represents a percentage exceeding established distribution ratios for a consignment sales partnership (the standard = 0);

(g) PI 7. Promotional materials costs (as a percentage of gross proceeds) are the direct costs of production of promotional materials provided free by GCO to its sales partners;

(h) PI 8. Contribution to GCO (as a percentage of gross proceeds) represents the result of sales proceeds plus other income, less commissions/ sales office costs, costs of goods delivered and costs of promotional material, expressed as a percentage of gross proceeds. It is the measure of profitability. The costs of goods delivered are influenced by the sales partners' accuracy in forecasting and ordering as well as by the efficiency of GCO procurement.

## Global assessment

4. The eight performance indicators not only serve as a tool to measure individual country performance, they also provide a means to assess globally GCO co-operative performance with National Committees and other sales partners.

5. A total of 43 individual countries and 4 groups of countries have been selected for the 1988 country analysis, and the eight performance indicators show the following results.

### Sales volume (PI 1)

6. In addition to providing a measure of income potential, this is the only indicator that also measures UNICEF "visibility" or presence in the world market. It is therefore valuable as a qualitative as well as a quantitative indicator.

7. In 1988, 28 countries or groups of countries showed increases in sales volume, 13 countries maintained 1987 sales levels and 5 countries showed sales decreases.

8. The reasons for the decreases varied: some implemented price increases (the United States and Brazil); some faced severe economic difficulties (Brazil and Peru); and some experienced changes in sales personnel (Pakistan, Chile and Thailand).

### Gross proceeds (PI 2)

9. Gross proceeds from the sales of GCO products increased in 30 countries between 1987 and 1988, 12 countries maintained proceeds at approximately the same level as in 1987 and 4 countries showed slight decreases (Brazil, Peru, Norway and Pakistan).

### Other income (PI 3)

10. Income from other sources and products was a factor in the performance of 12 countries, the same number as in 1987, and a level slightly lower than in 1987 was achieved. This decrease in the level of additional income is due to a change in accounting policy in 1987 (see chap. I, para. 12).

Commissions/retention (PI 4)

11. The percentage retention by National Committees, expenses at field offices and commissions paid to sales partners remained at the same level as 1987 (25 per cent overall). Moreover, in 1988, three more countries reached the level of 25 per cent or below (Ecuador, Peru and the Philippines). Altogether, 35 countries were at or below the 25 per cent level and 12 were above it.

Pricing (PI 5)

12. In 1988, 20 countries were at or above the base price, while 27 countries remained below it. However, since the base price increased by 10 per cent from 1987 to 1988, all countries increased their prices in absolute terms.

13. In countries with high inflation, the system of periodic price adjustments helped to offset the negative effects of inflation.

Distribution/sales ratio (PI 6)

14. In many countries, the ratio of "cards distributed" over "cards sold" continued to improve as better forecasting systems were implemented. Overall, the ratio improved from 8 per cent over the standard to 1 per cent. Twenty-five countries reached or remained at the standard, 10 reduced or maintained their ratio and 11 increased their ratio.

Promotional costs (PI 7)

15. Promotional costs, expressed as a proportion of gross proceeds, increased in 8 countries in 1988. Costs decreased in 20 countries and they remained approximately the same in another 18 countries.

Contribution to the Greeting Card Operation (PI 8)

16. The overall performance remained at the same level as in 1987 with net contributions to GCO from National Committees and other sales partners, including field offices, at 60 per cent. (In order to reach the GCO 50 per cent net profit objective, this contribution should reach 67 per cent.)

17. In 24 countries, the contribution to GCO increased considerably, in 3 countries it remained unchanged, while in 20 countries it decreased slightly. Analysing by regions, it can be observed that regions I, III, and IV showed overall increases in contribution, while regions II and V had slight decreases (see para. 35 below).

## Regional assessments

### Region I (North America)

18. There was a moderate improvement in gross proceeds in the United States and a sizeable increase in Canada. The increases are the result of higher prices in both countries and a volume increase in Canada.

19. Volume decreased by 7.4 per cent in the United States. A decentralization of sales efforts was begun, but has still to yield the expected volume expansion. The contribution to GCO from the United States decreased from 40 to 38 per cent. Profitability was also affected by a high ratio of distribution to sales (PI 6) resulting from lower than projected sales and a high retention rate.

20. The United States Committee's retention rate increased from 34 per cent in 1987 to 36 per cent in 1988. However, the Committee has confirmed its commitment to the goal of reaching the 25 per cent retention rate in 1989.

21. Canada achieved a volume increase amounting to 18 per cent in 1988. Its contribution to GCO increased from 36 to 52 per cent, and an improvement in the distribution ratio contributed to higher profitability.

### Region II (Latin America)

22. Overall performance decreased in this region in 1988. Gross proceeds were reduced slightly, and the contribution to GCO was 40 per cent of gross proceeds, compared with 45 per cent in 1987. Lower sales volume in the region's major market (Brazil) caused the lower regional contribution to GCO in 1988.

23. As a result of lower volume and gross proceeds, there was a proportional increase in expenditures (PI 4) by field offices: from 28 per cent in 1987 to 33 per cent in 1988.

24. Brazil accounts for 52 per cent of the region's proceeds. Thus regional sales volume decreased by 6 per cent. An economic recession in that country and a price increase were the probable causes. In Peru and Chile, similar factors contributed to a sales volume decrease. In Chile, a new sales manager was hired to address the situation there.

25. In Argentina, Colombia and Mexico, the other major markets in Latin America, higher volume and revenues were achieved. Other performance indicators also improved.

### Region III (Asia)

26. A good overall performance in the region led to a strong improvement in the contribution to GCO, which rose from 81 per cent in 1987 to 95 per cent in 1988. These impressive gains in performance were mainly owing to large increases in proceeds from special programmes such as the pressed flower telegram programme in Japan.

27. Sales volume also increased in 1988, with the main increases coming from Japan and the newly established National Committee in Hong Kong. The Philippines, the Republic of Korea and Indonesia maintained their 1987 levels of volume and proceeds. However, the contribution of the Republic of Korea to GCO in 1988 suffered adversely, owing to steep statutory salary increases for local staff.

Region IV (Pacific, India and Pakistan)

28. This region showed substantial improvements in both volume (9 per cent) and gross proceeds (19 per cent).

29. The overall contribution to GCO also increased substantially from 41 to 52 per cent.

30. The contribution of Australia was 49 per cent, a strong increase over the previous year. Promotional costs, which had been very high in 1986/87, were reduced in 1988. The Australian Committee achieved a slight volume increase and a substantial improvement in revenues through higher prices.

31. New Zealand increased its contribution to GCO to 85 per cent in 1988, owing to higher prices and "other income".

32. The Indian market exhibited strong increases in both sales volume and proceeds, leading to a higher contribution to GCO.

33. The negative contribution of Pakistan to GCO was largely a result of a change in reporting procedures, whereby a major sales campaign (Eid) will now be reported in the subsequent fiscal year. There was, however, a reduction in volume that may have been caused partly by higher local prices. A new manager was hired to address this situation.

Region V (Europe)

34. Sales volume increased in the region from 81 million cards in 1987 to 93 million cards in 1988, for an increase of 15 per cent. Gross proceeds also increased by 15 per cent. A significant part of this increase is considered to be the result of special efforts made in the corporate greeting card market.

35. Contribution to GCO decreased from 65 per cent in 1987 to 62 per cent in 1986. This resulted from a drop in "other income" caused by a change in accounting procedures (see chap. I, para. 12).

36. "Distribution over sales" (PI 6) continued to improve, and the proportional cost of promotional materials (PI 7) remained constant in relation to proceeds, although sales were higher.

37. The contribution of Austria to GCO dropped slightly as a result of a higher distribution to sales ratio and higher proportional promotional costs.

38. The contribution of Denmark to GCO and gross proceeds increased on constant sales volume. The distribution to sales ratio increased to 8 per cent over standard.

39. Finland increased both its sales and gross proceeds substantially, while reducing its distribution/sales ratio and maintaining its contribution to GCO at 67 per cent.

40. France increased sales volume 8 per cent and gross proceeds 19 per cent, thus becoming the second largest GCO market with 12.8 million cards sold.

41. The Federal Republic of Germany, the largest greeting card market (15.6 million cards) improved its performance in all areas, with higher sales volume (up 7 per cent), higher proceeds (up 10 per cent) and increased income from special programmes. Distribution over sales and the proportionate cost of promotional materials remained low. The contribution to GCO increased to 68 per cent.

42. Ireland increased its contribution to GCO substantially through higher sales and gross proceeds, while reducing the distribution/sales ratio and the relative cost of promotional materials.

43. Italy showed both an increase in sales and gross proceeds. The distribution over sales ratio improved dramatically and the contribution to GCO remained at a very high level.

44. The Netherlands increased its sales volume and gross proceeds very substantially (by over 30 per cent). Its contribution to GCO was at 68 per cent.

45. Norway showed a decrease in sales, contribution to GCO and proceeds. An organizational change instituted in 1988 promises to provide a solid basis for future growth.

46. Spain showed impressive increases in sales volume (14 per cent) and gross proceeds (28 per cent). Price levels increased to 63 per cent of base, up from 51 per cent in the previous year. The distribution over sales ratio remained at the recommended level.

47. Sweden exhibited substantial growth in both volume and gross proceeds while reducing both its distribution to sales ratio and promotional material costs.

48. Switzerland continued past years' upward trends in the important areas of sales volume and gross proceeds. Contribution to GCO was at the 67 per cent level.

49. The performance of the United Kingdom improved in significant areas including volume, gross proceeds, pricing (up to 86 per cent of base) and ratio of distribution to sales.

Region VI (Africa and the Middle East)

50. This region's contribution to GCO remained at 68 per cent, while sales volume and gross proceeds increased. Distribution over sales ratios reached the base level and the cost of promotional materials decreased marginally.

Table 1

Volume of card sales and gross proceeds for all products

- by region and by major markets -

1988 season compared with 1987 season

| | 1988 season | | | | | 1987 season | | | | | Increase/(decrease) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Thousands of cards sold | Gross proceeds (thousands of US dollars) | Percentage of total proceeds | Gross proceeds per 1,000 population | Cards sold per 1,000 population | Thousands of cards sold | Gross proceeds (thousands of US dollars) | Percentage of total proceeds | Gross proceeds per 1,000 population | Cards sold per 1,000 population | No. of cards sold 1988 over 1987 | 1988 gross proceeds over 1987 | Population in millions |
| **North America – Region I** | | | | | | | | | | | | | |
| Canada | 5,825 | 4,410 | 4.5 | 170.27 | 225 | 4,893 | 3,635 | 3.7 | 140.35 | 189 | 932 | 775 | 25.9 |
| United States of America | 11,648 | 8,389 | 8.5 | 34.41 | 48 | 14,035 | 7,877 | 8.0 | 32.31 | 58 | (2,387) | 512 | 243.8 |
| Subtotal, North America | 17,473 | 12,799 | 12.9 | - | - | 18,928 | 11,512 | 13.4 | - | - | (1,455) | 1287 | |
| **Latin America – Region II** | | | | | | | | | | | | | |
| Argentina | 767 | 427 | 0.4 | 13.56 | 24 | 743 | 404 | 0.4 | 12.83 | 24 | 24 | 23 | 31.5 |
| Brazil | 4,677 | 1,802 | 1.8 | 12.75 | 33 | 5,595 | 2,421 | 2.4 | 17.13 | 40 | (918) | (619) | 141.3 |
| Chile | 249 | 107 | 0.1 | 8.56 | 20 | 266 | 111 | 0.1 | 8.88 | 21 | (17) | (4) | 12.5 |
| Colombia | 962 | 575 | 0.6 | 20.03 | 34 | 939 | 516 | 0.5 | 17.98 | 33 | 23 | 59 | 28.7 |
| Ecuador | 282 | 163 | 0.2 | 16.46 | 28 | 218 | 122 | 0.1 | 12.32 | 22 | 64 | 41 | 9.9 |
| Mexico | 526 | 531 | 0.5 | 6.53 | 6 | 457 | 407 | 0.4 | 5.01 | 6 | 69 | 124 | 81.3 |
| Peru | 368 | 144 | 0.1 | 6.96 | 18 | 468 | 195 | 0.2 | 9.42 | 23 | (98) | (51) | 20.7 |
| Uruguay | 375 | 204 | 0.2 | 65.81 | 121 | 318 | 148 | 0.1 | 47.74 | 103 | 57 | 56 | 3.1 |
| Venezuela | 126 | 71 | 0.1 | 3.88 | 7 | 94 | 43 | 0.0 | 2.35 | 5 | 31 | 23 | 18.3 |
| Others | 702 | 522 | 0.5 | - | - | 525 | 323 | 0.3 | - | - | 177 | 199 | |
| Subtotal, Latin America | 9,033 | 4,546 | 4.6 | - | - | 9,621 | 4,690 | 5.5 | - | - | (588) | -144 | |
| **Asia – Region III** | | | | | | | | | | | | | |
| Hong Kong | 456 | 278 | 0.3 | 49.64 | 81 | 291 | 153 | 0.2 | 27.32 | 52 | 165 | 125 | 5.6 |
| Indonesia | 404 | 196 | 0.2 | 1.14 | 2 | 401 | 205 | 0.2 | 1.19 | 2 | 3 | (9) | 172.3 |
| Japan | 3,112 | 2,929 | 3.0 | 23.99 | 25 | 2,027 | 1,620 | 1.6 | 13.27 | 17 | 1,085 | 1,309 | 122.1 |
| Korea, Republic of | 245 | 145 | 0.1 | 3.44 | 6 | 225 | 129 | 0.1 | 3.06 | 5 | 20 | 16 | 42.1 |
| Philippines | 352 | 131 | 0.1 | 2.28 | 6 | 217 | 133 | 0.1 | 2.32 | 4 | 135 | (2) | 57.4 |
| Thailand | 158 | 82 | 0.1 | 1.53 | 3 | 135 | 64 | 0.1 | 1.19 | 3 | 23 | 18 | 53.7 |
| Others | 461 | 272 | 0.3 | - | - | 521 | 244 | 0.2 | - | - | (60) | 28 | |
| Subtotal, Asia | 5,188 | 4,033 | 4.1 | - | - | 3,817 | 2,548 | 3.0 | - | - | 1,371 | 1485 | |
| **Pacific, India & Pakistan – Region IV** | | | | | | | | | | | | | |
| Australia | 2,153 | 1,485 | 1.5 | 91.67 | 134 | 2,068 | 1,218 | 1.2 | 75.19 | 129 | 75 | 267 | 16.2 |
| India | 6,662 | 2,378 | 2.4 | 3.04 | 9 | 5,931 | 1,923 | 1.9 | 2.46 | 8 | 751 | 455 | 783.0 |
| New Zealand | 420 | 322 | 0.3 | 97.58 | 127 | 475 | 316 | 0.3 | 95.76 | 144 | (55) | 6 | 3.3 |
| Pakistan | 182 | 50 | 0.1 | 0.47 | 2 | 201 | 128 | 0.1 | 1.21 | 2 | (19) | (78) | 106.2 |
| Others | 20 | 12 | 0.0 | - | - | 18 | 11 | 0.0 | - | - | 2 | 1 | |
| Subtotal, Pacific, India & Pakistan | 9,467 | 4,247 | 4.3 | - | - | 8,713 | 3,596 | 4.2 | - | - | 754 | 651 | |

Table 1 (continued)

| | 1988 season | | | | | 1987 season | | | | | Increase/(decrease) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Thousands of cards sold | Gross proceeds (thousands of US dollars) | Percentage of total proceeds | Gross proceeds per 1,000 population | Cards sold per 1,000 population | Thousands of cards sold | Gross proceeds (thousands of US dollars) | Percentage of total proceeds | Gross proceeds per 1,000 population | Cards sold per 1,000 population | No. of cards sold 1988 over 1987 | 1988 gross proceeds over 1987 | Population in millions |
| **Europe – Region V** | | | | | | | | | | | | | |
| Austria | 1,404 | 1,244 | 1.3 | 163.68 | 185 | 1,447 | 1,219 | 1.2 | 160.39 | 190 | (43) | 25 | 7.6 |
| Belgium | 1,929 | 1,645 | 1.7 | 166.18 | 195 | 1,719 | 1,501 | 1.5 | 151.62 | 174 | 210 | 144 | 9.9 |
| Czechoslovakia | 290 | 650 | 0.7 | 41.94 | 19 | 270 | 665 | 0.7 | 42.90 | 17 | 20 | (15) | 15.5 |
| Denmark | 2,018 | 1,675 | 1.7 | 328.43 | 396 | 2,006 | 1,608 | 1.6 | 315.29 | 393 | 12 | 67 | 5.1 |
| Finland | 2,986 | 3,134 | 3.2 | 639.59 | 609 | 2,561 | 2,398 | 2.4 | 489.39 | 523 | 425 | 736 | 4.9 |
| France | 12,847 | 10,722 | 10.8 | 195.30 | 234 | 11,843 | 9,017 | 9.1 | 164.24 | 216 | 1,004 | 1,705 | 54.9 |
| German Democratic Republic | 955 | 372 | 0.4 | 22.28 | 57 | 953 | 385 | 0.4 | 23.05 | 57 | 2 | (13) | 16.7 |
| Germany, Federal Republic of | 15,611 | 15,056 | 15.2 | 246.01 | 255 | 14,643 | 13,748 | 13.9 | 224.64 | 239 | 968 | 1,308 | 61.2 |
| Greece | 1,903 | 1,093 | 1.1 | 110.40 | 192 | 1,663 | 846 | 0.9 | 85.45 | 168 | 240 | 247 | 9.9 |
| Ireland | 419 | 283 | 0.3 | 57.76 | 86 | 333 | 220 | 0.2 | 44.90 | 68 | 86 | 63 | 4.9 |
| Italy | 5,650 | 4,135 | 4.2 | 72.54 | 99 | 5,111 | 3,437 | 3.5 | 60.30 | 90 | 539 | 698 | 57.0 |
| Luxembourg | 387 | 340 | 0.3 | 850.00 | 968 | 352 | 305 | 0.3 | 762.50 | 880 | 35 | 35 | 0.4 |
| Netherlands | 7,189 | 5,804 | 5.9 | 403.06 | 499 | 5,458 | 4,431 | 4.5 | 307.71 | 379 | 1,731 | 1,373 | 14.4 |
| Norway | 2,091 | 1,763 | 1.8 | 430.00 | 510 | 2,496 | 1,843 | 1.9 | 449.51 | 609 | (405) | (80) | 4.1 |
| Poland | 5,098 | 1,258 | 1.3 | 34.09 | 138 | 2,152 | 422 | 0.4 | 11.44 | 58 | 2,946 | 836 | 36.9 |
| Portugal | 1,212 | 518 | 0.5 | 52.86 | 124 | 1,017 | 394 | 0.4 | 40.20 | 104 | 195 | 124 | 9.8 |
| Spain | 11,110 | 4,100 | 4.1 | 105.94 | 287 | 9,702 | 3,217 | 3.3 | 83.13 | 251 | 1,408 | 883 | 38.7 |
| Sweden | 3,584 | 2,615 | 2.6 | 315.06 | 432 | 3,057 | 2,185 | 2.2 | 263.25 | 368 | 527 | 430 | 8.3 |
| Switzerland | 4,467 | 5,030 | 5.1 | 785.94 | 698 | 4,390 | 4,842 | 4.9 | 756.56 | 686 | 77 | 188 | 6.4 |
| Turkey | 2,554 | 486 | 0.5 | 10.04 | 53 | 1,946 | 384 | 0.4 | 7.93 | 40 | 608 | 102 | 48.4 |
| United Kingdom | 2,030 | 1,325 | 1.3 | 23.49 | 36 | 1,912 | 1,082 | 1.1 | 19.18 | 34 | 118 | 243 | 56.4 |
| Yugoslavia | 5,170 | 1,614 | 1.6 | 70.17 | 225 | 3,803 | 2,050 | 2.1 | 89.13 | 165 | 1,367 | (436) | 23.0 |
| Others | 2,096 | 2,831 | 2.9 | – | – | 2,146 | 2,563 | 2.6 | – | – | (50) | 268 | |
| Subtotal, Europe | 93,000 | 67,693 | 68.4 | – | – | 80,980 | 58,762 | 68.4 | – | – | 12,020 | 8931 | |
| **Africa and Middle East – Region VI** | 4,691 | 5,618 | 5.7 | – | – | 3,771 | 4,660 | 4.9 | – | – | 920 | 758 | |
| TOTAL | 0 | 98,936 | 100.0 | – | – | 125,830 | 85,968 | 100.0 | – | – | 13,022 | 12968 | |

## Table 2

Country-by-country performance report, 1984 - 1988

Performance indicators 1 - 8 (PI 1 - PI 8) a/

| | PI 1 Card sales (millions of card units) | | | | | PI 2 Gross proceeds (millions of US dollars) | | | | | PI 3 Other income (millions of US dollars) | | | | | PI 4 Commissions/retention (percentage of gross proceeds) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 |
| **North America – Region I** | | | | | | | | | | | | | | | | | | | | |
| Canada | 6.0 | 6.7 | 5.6 | 4.9 | 5.8 | 2.5 | 3.0 | 3.5 | 3.6 | 4.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 26 | 25 | 25 | 25 | 25 |
| United States of America | 12.7 | 13.6 | 14.2 | 14.0 | 11.7 | 6.2 | 6.0 | 7.8 | 7.9 | 8.4 | 1.3 | 0.4 | 0.8 | 0.4 | 0.6 | 40 | 41 | 37 | 34 | 36 |
| Subtotal – North America | 18.7 | 20.3 | 19.8 | 18.9 | 17.5 | 8.7 | 9.0 | 11.3 | 11.5 | 12.8 | 1.4 | 0.4 | 0.8 | 0.4 | 0.7 | 36 | 36 | 34 | 31 | 32 |
| **Latin America – Region II** | | | | | | | | | | | | | | | | | | | | |
| Argentina | 0.7 | 0.8 | 0.8 | 0.7 | 0.8 | 0.2 | 0.6 | 0.5 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26 | 25 | 25 | 24 | 32 |
| Brazil | 6.2 | 5.8 | 6.4 | 5.6 | 4.7 | 1.0 | 1.5 | 2.1 | 2.4 | 1.8 | 0.0 | 0.0 | 0.0 | 0.3 | 0.4 | 41 | 38 | 33 | 29 | 38 |
| Chile | 0.3 | 0.3 | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 35 | 55 | 27 | 49 | 56 |
| Colombia | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 53 | 40 | 28 | 25 | 34 |
| Ecuador | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 29 | 20 | 26 | 29 | 23 |
| Mexico | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.2 | 0.2 | 0.2 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 65 | 49 | 45 | 33 | 39 |
| Peru | 0.5 | 0.3 | 0.4 | 0.5 | 0.4 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 26 | 26 | 25 |
| Uruguay | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 24 | 25 | 26 | 25 | 25 |
| Venezuela | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20 | 20 | 20 | 33 | 29 |
| Balance of Latin America | 0.5 | 0.4 | 0.5 | 0.5 | 0.7 | 0.2 | 0.3 | 0.2 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12 | 14 | 17 | 18 | 16 |
| Subtotal – Latin America | 9.8 | 9.6 | 10.2 | 9.6 | 9.0 | 2.5 | 3.5 | 4.0 | 4.7 | 4.5 | 0.0 | 0.0 | 0.0 | 0.3 | 0.4 | 37 | 33 | 29 | 28 | 33 |
| **Asia – Region III** | | | | | | | | | | | | | | | | | | | | |
| Hong Kong | 0.0 | 0.0 | 0.1 | 0.3 | 0.4 | 0.0 | 0.0 | 0.0 | 0.2 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Indonesia | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 19 | 20 | 24 | 23 | 27 |
| Japan | 1.5 | 1.6 | 1.8 | 2.0 | 3.1 | 1.0 | 1.5 | 1.9 | 1.6 | 2.9 | 0.0 | 0.1 | 0.0 | 1.2 | 1.5 | 39 | 40 | 39 | 47 | 27 |
| Korea, Republic of | 0.1 | 0.2 | 0.3 | 0.2 | 0.2 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 29 | 56 | 39 | 65 | 78 |
| Philippines | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 22 | 18 | 27 | 25 | 19 |
| Thailand | 0.2 | 0.2 | 0.3 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 24 | 29 | 28 | 44 | 37 |
| Balance of Asia | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.1 | 0.2 | 0.3 | 0.2 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 53 | 31 | 22 | 24 |
| Subtotal – Asia | 2.8 | 3.1 | 3.5 | 3.8 | 5.2 | 1.5 | 2.2 | 2.8 | 2.5 | 4.0 | 0.0 | 0.1 | 0.0 | 1.2 | 1.5 | 31 | 38 | 38 | 41 | 29 |
| **Pacific, India & Pakistan – Region IV** | | | | | | | | | | | | | | | | | | | | |
| Australia | 2.3 | 2.2 | 2.3 | 2.1 | 2.2 | 0.9 | 0.9 | 1.1 | 1.2 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 26 | 25 | 25 | 25 |
| India | 4.0 | 5.5 | 5.3 | 5.9 | 6.7 | 0.9 | 1.4 | 1.7 | 1.9 | 2.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 32 | 27 | 19 | 21 |
| New Zealand | 0.6 | 0.9 | 0.5 | 0.5 | 0.4 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 25 | 25 | 24 | 23 | 23 |
| Pakistan | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 35 | 35 | 36 | 32 | 87 |
| Subtotal – Pacific, India & Pakistan | 7.2 | 8.9 | 8.4 | 8.7 | 9.5 | 2.1 | 2.6 | 3.2 | 3.6 | 4.3 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 26 | 29 | 26 | 22 | 23 |

a/ An explanation of the performance indicators is given in paragraphs 2 and 3 of the annex.

Table 2 (continued)

| | PI 1 Card sales (millions of card units) | | | | | PI 2 Gross proceeds (millions of US dollars) | | | | | PI 3 Other income (millions of US dollars) | | | | | PI 4 Commissions/retention (percentage of gross proceeds) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 |
| **Europe – Region V** | | | | | | | | | | | | | | | | | | | | |
| Austria | 1.3 | 1.4 | 1.5 | 1.4 | 1.4 | 0.6 | 0.8 | 1.0 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Belgium | 2.0 | 1.8 | 1.9 | 1.7 | 1.9 | 0.9 | 1.0 | 1.5 | 1.5 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Czechoslovakia | 0.6 | 0.4 | 0.3 | 0.3 | 0.3 | 0.5 | 0.5 | 0.7 | 0.7 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Denmark | 2.0 | 2.0 | 1.9 | 2.0 | 2.0 | 0.9 | 1.0 | 1.3 | 1.6 | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Finland | 2.6 | 2.8 | 2.7 | 2.6 | 3.0 | 1.4 | 1.8 | 2.2 | 2.4 | 3.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 25 | 25 | 25 | 25 | 25 |
| France | 11.9 | 12.0 | 11.7 | 11.8 | 12.8 | 5.0 | 6.1 | 7.7 | 9.0 | 10.7 | 0.0 | 0.0 | 0.1 | 0.5 | 0.2 | 25 | 25 | 25 | 25 | 25 |
| German Democratic Republic | 0.4 | 0.4 | 1.0 | 1.0 | 1.0 | 0.1 | 0.1 | 0.3 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Germany, Federal Republic of | 13.2 | 13.6 | 14.4 | 14.6 | 15.6 | 7.0 | 7.9 | 11.0 | 13.7 | 15.1 | 0.2 | 0.4 | 0.0 | 0.2 | 0.7 | 25 | 24 | 24 | 24 | 24 |
| Greece | 1.6 | 1.6 | 1.8 | 1.7 | 1.9 | 0.5 | 0.6 | 0.7 | 0.8 | 1.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 25 | 25 | 25 | 25 | 25 |
| Ireland | 0.3 | 0.3 | 0.4 | 0.3 | 0.4 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Italy | 4.0 | 4.6 | 5.2 | 5.1 | 5.7 | 1.3 | 1.8 | 2.9 | 3.4 | 4.1 | 0.1 | 0.0 | 0.2 | 0.5 | 0.4 | 25 | 25 | 25 | 25 | 25 |
| Luxembourg | 0.2 | 0.6 | 0.3 | 0.4 | 0.4 | 0.1 | 0.3 | 0.2 | 0.3 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Netherlands | 4.0 | 4.5 | 5.3 | 5.5 | 7.2 | 1.9 | 2.1 | 3.4 | 4.4 | 5.8 | 0.0 | 0.0 | 0.5 | 1.4 | 0.4 | 25 | 25 | 25 | 25 | 25 |
| Norway | 2.0 | 2.2 | 2.1 | 2.5 | 2.1 | 0.8 | 1.2 | 1.3 | 1.8 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32 | 25 | 21 | 25 | 25 |
| Poland | 1.4 | 1.4 | 1.4 | 2.2 | 5.1 | 0.2 | 0.4 | 0.6 | 0.4 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 25 | 25 | 25 |
| Portugal | 0.4 | 0.6 | 0.8 | 1.0 | 1.2 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Spain | 6.4 | 7.4 | 8.3 | 9.7 | 11.1 | 1.2 | 1.6 | 2.3 | 3.2 | 4.1 | 0.0 | 0.1 | 0.1 | 0.2 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| Sweden | 2.6 | 2.7 | 3.0 | 3.1 | 3.6 | 1.2 | 1.3 | 1.7 | 2.2 | 2.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 22 | 25 | 25 |
| Switzerland | 4.3 | 4.5 | 4.2 | 4.4 | 4.5 | 2.6 | 2.9 | 4.1 | 4.8 | 5.0 | 0.3 | 0.1 | 0.2 | 0.7 | 0.4 | 25 | 25 | 25 | 25 | 25 |
| Turkey | 1.1 | 1.4 | 1.5 | 1.9 | 2.5 | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 25 | 25 |
| United Kingdom | 2.4 | 2.2 | 2.0 | 1.9 | 2.0 | 0.8 | 0.9 | 1.0 | 1.1 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 31 | 22 | 22 | 22 | 24 |
| Yugoslavia | 3.3 | 3.1 | 4.0 | 3.8 | 5.2 | 0.7 | 0.9 | 1.6 | 2.0 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25 | 25 | 25 | 24 | 25 |
| Others | 1.9 | 0.9 | 1.0 | 2.1 | 2.1 | 2.3 | 1.8 | 1.6 | 2.8 | 2.8 | 0.0 | 0.0 | 0.2 | 0.3 | 0.0 | 24 | 24 | 24 | 25 | 24 |
| Subtotal – Europe | 69.9 | 72.4 | 76.7 | 81.0 | 93.0 | 30.4 | 35.3 | 47.9 | 58.7 | 67.7 | 0.7 | 0.7 | 1.4 | 4.1 | 2.4 | 25 | 25 | 25 | 25 | 25 |
| Africa & Middle East – Region VI | 2.8 | 3.0 | 3.5 | 3.8 | 4.7 | 3.2 | 3.4 | 4.2 | 4.9 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8 | 14 | 12 | 13 | 13 |
| TOTAL | 111.2 | 117.3 | 122.1 | 125.8 | 138.9 | 48.4 | 56.0 | 73.4 | 85.9 | 98.9 | 2.1 | 1.2 | 2.2 | 6.1 | 5.2 | 27 | 27 | 26 | 25 | 25 |

Table 2 (continued)

| | PI 5 Pricing (percentage of base price) | | | | | PI 6 Distribution over sales (percentage over base) | | | | | PI 7 Promotional materials (percentage of gross proceeds) | | | | | PI 8 Contribution to GCO (percentage of gross proceeds) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 |
| **North America – Region I** | | | | | | | | | | | | | | | | | | | | |
| Canada | 93 | 83 | 94 | * | * | 21 | 0 | 19 | 49 | 0 | 12 | 5 | 7 | 9 | 4 | 41 | 46 | 45 | 36 | 52 |
| United States of America | * | * | * | * | * | 54 | 58 | 48 | 5 | 19 | 14 | 10 | 10 | 11 | 12 | 40 | 23 | 38 | 40 | 38 |
| Subtotal – North America | – | – | – | – | – | 43 | 39 | 39 | 16 | 9 | 13 | 8 | 9 | 10 | 9 | 40 | 31 | 40 | 39 | 43 |
| **Latin America – Region II** | | | | | | | | | | | | | | | | | | | | |
| Argentina | 28 | * | * | 82 | 87 | 0 | 20 | 0 | 0 | 0 | 5 | 1 | 1 | 2 | 1 | 47 | 59 | 58 | 49 | 46 |
| Brazil | 26 | 45 | 62 | 67 | 59 | 0 | 20 | 0 | 14 | 24 | 13 | 2 | 2 | 3 | 4 | 12 | 25 | 41 | 50 | 42 |
| Chile | 46 | 55 | 64 | 60 | 56 | 61 | 56 | 206 | 103 | 61 | 11 | 4 | 3 | 6 | 10 | 3 | (17) | (20) | (29) | (25) |
| Colombia | 82 | 75 | 84 | 87 | 88 | 0 | 0 | 4 | 5 | 0 | 5 | 1 | 2 | 3 | 2 | 21 | 39 | 41 | 45 | 36 |
| Ecuador | 84 | * | * | 84 | 79 | 3 | 0 | 61 | 9 | 14 | 6 | 1 | 1 | 2 | 1 | 41 | 66 | 30 | 37 | 38 |
| Mexico | 70 | 76 | 96 | 98 | 96 | 0 | 45 | 27 | 29 | 87 | 5 | 12 | 4 | 3 | 3 | 5 | 6 | 18 | 26 | 35 |
| Peru | 43 | 64 | 66 | 65 | 61 | 0 | 0 | 0 | 0 | 14 | 4 | 1 | 1 | 1 | 1 | 52 | 45 | 53 | 48 | 30 |
| Uruguay | 41 | 64 | 76 | 67 | 74 | 0 | 0 | 49 | 0 | 0 | 9 | 5 | 6 | 5 | 3 | 29 | 39 | 22 | 49 | 45 |
| Venezuela | 96 | 75 | 64 | 62 | 65 | 0 | 10 | 75 | 0 | 0 | 4 | 2 | 2 | 3 | 3 | 55 | 52 | 31 | 40 | 27 |
| Balance of Latin America | – | – | – | – | – | 14 | 12 | 31 | 0 | 0 | 6 | 8 | 8 | 4 | 1 | 57 | 57 | 54 | 47 | 57 |
| Subtotal – Latin America | – | – | – | – | – | 0 | 15 | 4 | 9 | 10 | 9 | 3 | 2 | 3 | 3 | 25 | 35 | 41 | 45 | 40 |
| **Asia Region III** | | | | | | | | | | | | | | | | | | | | |
| Hong Kong | 89 | 90 | 90 | 91 | 91 | 0 | 79 | 84 | 30 | 6 | 4 | 3 | 1 | 11 | 12 | 57 | 33 | 37 | 33 | 44 |
| Indonesia | 94 | 98 | 98 | 84 | 80 | 1 | 0 | 6 | 70 | 0 | 4 | 1 | 2 | 2 | 2 | 54 | 63 | 57 | 42 | 50 |
| Japan | * | * | * | * | * | 0 | 14 | 0 | 28 | 0 | 2 | 2 | 2 | 2 | 1 | 45 | 51 | 40 | 110 | 118 |
| Korea, Republic of | 92 | 90 | 92 | 91 | 98 | 58 | 101 | 201 | 0 | 0 | 7 | 11 | 4 | 7 | 6 | 25 | (6) | 28 | 2 | (10) |
| Philippines | 69 | 83 | 84 | 82 | 82 | 0 | 0 | 46 | 9 | 18 | 5 | 1 | 10 | 12 | 8 | 46 | 58 | 26 | 28 | 46 |
| Thailand | 64 | 75 | 84 | 78 | 81 | 0 | 0 | 27 | 161 | 39 | 4 | 4 | 2 | 6 | 7 | 47 | 43 | 44 | (1) | 25 |
| Balance of Asia | – | – | – | – | – | 0 | 0 | 0 | 20 | 6 | 4 | 1 | 2 | 6 | 5 | 51 | 16 | 50 | 40 | 42 |
| Subtotal – Asia | – | – | – | – | – | 0 | 13 | 23 | 30 | 0 | 4 | 2 | 2 | 4 | 3 | 46 | 47 | 40 | 81 | 95 |
| **Pacific, India & Pakistan – Region IV** | | | | | | | | | | | | | | | | | | | | |
| Australia | 80 | 69 | 78 | 95 | * | 0 | 0 | 6 | 34 | 0 | 4 | 12 | 18 | 10 | 6 | 30 | 34 | 32 | 32 | 49 |
| India | 48 | 50 | 62 | 55 | 61 | 0 | 10 | 118 | 10 | 0 | 6 | 1 | 1 | 1 | 1 | 34 | 36 | 46 | 45 | 51 |
| New Zealand | 50 | 65 | 83 | * | * | 0 | 14 | 15 | 0 | 0 | 8 | 7 | 5 | 4 | 7 | 8 | 33 | 48 | 57 | 85 |
| Pakistan | 71 | 69 | 76 | 75 | 72 | 0 | 0 | 0 | 104 | 88 | 5 | 3 | 4 | 4 | 11 | 39 | 36 | 41 | 19 | (86) |
| Subtotal – Pacific, India & Pakistan | – | – | – | – | – | 0 | 6 | 77 | 17 | 0 | 5 | 3 | 7 | 4 | 3 | 30 | 35 | 42 | 41 | 52 |

Table 2 (continued)

| | PI 5 Pricing (percentage of base price) | | | | | PI 6 Distribution over sales (percentage over base) | | | | | PI 7 Promotional materials (percentage of gross proceeds) | | | | | PI 8 Contribution to GCO (percentage of gross proceeds) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 | 1984 | 1985 | 1986 | 1987 | 1988 |
| Europe – Region V | | | | | | | | | | | | | | | | | | | | |
| Austria | 93 | . | . | . | . | 25 | 19 | 38 | 12 | 19 | 6 | 5 | 14 | 7 | 11 | 52 | 57 | 45 | 56 | 53 |
| Belgium | 90 | . | . | . | . | 59 | 1 | 5 | 8 | 15 | 13 | 6 | 4 | 6 | 4 | 39 | 54 | 57 | 56 | 58 |
| Czechoslovakia | 62 | 68 | 70 | 71 | 67 | 0 | 0 | 0 | 0 | 0 | 1 | 2 | 0 | 0 | 0 | 64 | 61 | 65 | 63 | 62 |
| Denmark | 71 | 92 | . | . | . | 0 | 14 | 20 | 0 | 8 | 3 | 3 | 3 | 4 | 3 | 50 | 54 | 55 | 58 | 62 |
| Finland | 96 | . | . | . | . | 9 | 10 | 13 | 13 | 10 | 5 | 2 | 4 | 3 | 3 | 66 | 63 | 63 | 67 | 67 |
| France | 82 | . | . | . | . | 26 | 24 | 26 | 29 | 15 | 5 | 4 | 3 | 3 | 3 | 54 | 57 | 60 | 63 | 61 |
| German Democratic Republic | 51 | 60 | 66 | 71 | 70 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 72 | 72 | 73 | 73 | 73 |
| Germany, Federal Republic of | . | . | . | . | . | 9 | 12 | 5 | 1 | 2 | 2 | 3 | 2 | 1 | 1 | 60 | 63 | 61 | 65 | 68 |
| Greece | 56 | 60 | 62 | 71 | 76 | 0 | 9 | 0 | 0 | 0 | 14 | 6 | 7 | 7 | 4 | 42 | 47 | 46 | 56 | 55 |
| Ireland | . | . | . | . | . | 0 | 7 | 0 | 3 | 0 | 4 | 2 | 2 | 8 | 2 | 54 | 52 | 54 | 52 | 64 |
| Italy | 56 | 80 | 92 | 92 | . | 70 | 32 | 40 | 31 | 0 | 4 | 4 | 2 | 2 | 2 | 63 | 65 | 68 | 78 | 76 |
| Luxembourg | 93 | 95 | . | . | . | 25 | 0 | 0 | 26 | 8 | 6 | 2 | 3 | 5 | 5 | 53 | 57 | 60 | 55 | 61 |
| Netherlands | 90 | . | . | . | . | 21 | 28 | 12 | 5 | 4 | 4 | 4 | 4 | 3 | 3 | 55 | 56 | 69 | 90 | 68 |
| Norway | 87 | . | . | . | . | 0 | 19 | 18 | 12 | 18 | 1 | 1 | 2 | 1 | 1 | 52 | 63 | 42 | 59 | 46 |
| Poland | 22 | 25 | 28 | 18 | 23 | 0 | 55 | 0 | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 78 | 62 | 41 | 6 | 61 |
| Portugal | . | . | . | . | 66 | 0 | 0 | 0 | 16 | 0 | 3 | 3 | 3 | 3 | 2 | 60 | 64 | 62 | 73 | 63 |
| Spain | 39 | 45 | 50 | 51 | 63 | 0 | 0 | 3 | 0 | 0 | 9 | 3 | 5 | 4 | 3 | 46 | 58 | 54 | 59 | 55 |
| Sweden | 87 | 95 | . | . | . | 22 | 10 | 22 | 17 | 0 | 2 | 2 | 2 | 2 | 1 | 56 | 62 | 56 | 42 | 43 |
| Switzerland | . | . | . | . | . | 9 | 12 | 8 | 8 | 16 | 8 | 6 | 5 | 6 | 6 | 64 | 61 | 64 | 75 | 67 |
| Turkey | 22 | 23 | 30 | 29 | 39 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 2 | 52 | 57 | 58 | 44 | 54 |
| United Kingdom | 67 | 80 | 81 | 73 | 86 | 54 | 32 | 28 | 23 | 18 | 12 | 4 | 3 | 4 | 3 | 15 | 41 | 41 | 42 | 41 |
| Yugoslavia | 22 | 25 | 44 | 49 | 49 | 0 | 0 | 12 | 0 | 0 | 1 | 2 | 0 | 1 | 1 | 48 | 51 | 62 | 63 | 55 |
| Others | . | . | . | . | . | 9 | 3 | 0 | 0 | 0 | 2 | 2 | 2 | 2 | 0 | 52 | 54 | 62 | 57 | 60 |
| Subtotal – Europe | – | – | – | – | – | 14 | 13 | 13 | 4 | 1 | 4 | 3 | 3 | 3 | 3 | 55 | 59 | 60 | 65 | 62 |
| Africa and Middle East – Region VI | . | . | . | . | . | 0 | 0 | 3 | 0 | 0 | 2 | 1 | 1 | 1 | 1 | 60 | 63 | 65 | 68 | 68 |
| TOTAL | – | – | – | – | – | 14 | 16 | 21 | 8 | 1 | 6 | 4 | 4 | 4 | 3 | 49 | 52 | 54 | 60 | 60 |